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FISCAL IMPACT REPORT

ORIGINAL DATE 2/19/2007

SPONSOR Taylor LAST UPDATED _____ HB 361

SHORT TITLE Lottery Scholarships for Military Dependents SB _____

ANALYST Dearing

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	*(\$0.1)	Recurring	Lottery Scholarship Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		*(\$557.7)	*(\$557.7)	(\$1,115.4)	Recurring	Lottery Scholarship Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Senate Bill (s): 110, 689, 426, 688, and 686

Relates to House Bill (s): 571, 209, 275, and 740

Duplicates Senate Bill 687

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

SUMMARY

Synopsis of Bill

House Bill 361 carries no appropriation. If enacted, House Bill 361 would amend Sections 21-1-4. 3; 21-13-10; and 21-16-10.1 NMSA 1978. House Bill 361 would extend eligibility for the New Mexico Lottery Success Scholarship program such that eligibility for scholarship program would be available for all dependents of New Mexico resident U.S. service members, stationed outside the State, provided they pay NM Taxes.

FISCAL IMPLICATIONS

The fiscal impact would be to the Lottery Tuition Fund. According to data from the Planning and Research division at the New Mexico Higher Education Department, it is estimated that 211 students could become eligible to receive the Lottery Success Scholarship. The fiscal impact would be \$557,700 in FY08. The impact is recurring.

RELATIONSHIP

House Bill 361 relates to:

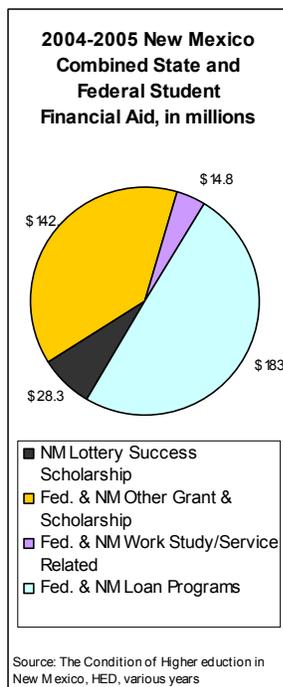
Senate Bill (s): 110, 689, 426, 688 and 686

House Bill (s): 571, 209, 275, and 740

These listed bills create various changes to lottery scholarship eligibility, distributions from the fund, or otherwise change the Lottery Success program framework.

ALTERNATIVES, OTHER SIGNIFICANT ISSUES

In the 2005-2006 academic year, approximately \$36.9 million in Lottery Success scholarship funds were distributed to New Mexico students. Payouts to beneficiaries continue to exceed New Mexico Lottery Authority disbursements to the scholarship fund. Recent projections show fund insolvency around 2012-2013. With overall flat high school graduation rates expected over this period, projected increases in expenditures are primarily based on tuition inflation. State student aid dollars from the lottery program comprise an ever larger component of state spending on higher education, increasing from 38 percent to 42 percent over the 2002-2003 academic year with subsequent reductions in work-study and service aid.



Across the country, merit scholarship programs are undergoing similar solvency issues. Underestimated and rapidly increasing demand for merit scholarships and scarce resources have forced other states to pursue alternatives.

The Lottery program is one component among many available federal and state student financial aid sources. Including federal and other state grants, work-study, and loan programs, the Lottery program comprises just about 7.7 % of available student financial aid in NM.

Students excluded from the Lottery Success Scholarship have the option to apply for other state and federal financial aid programs.

AMENDMENTS, QUESTIONS

House Bill 361 does not specify the requirement of a *New Mexico* issued GEDC for applicant eligibility.

